

Message Text

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67

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 8743

UNCLAS BOGOTA 12146

E.O. 11652: N/A

TAGS: EFIN, CO

SUBJ: NEW CONTROLS ON SERVICE EARNINGS

1. IN ANOTHER EFFORT TO CONTROL MONETARY GROWTH AND THEREBY THE 26 P/C ANNUAL RATE OF INFLATION, THE GOVERNMENT HAS ESTABLISHED NEW CONTROLS ON SERVICE EARNINGS. BEGINNING DECEMBER 6, 1976, PERSONS WHO EXCHANGE OVER \$500 OF SERVICE EARNINGS WILL HAVE TO ACCOUNT FOR THE FOREIGN EXCHANGE IN DETAIL; EXCHANGE OF FROM \$1,000 TO \$20,000 WILL BE PAID IN EXCHANGE CERTIFICATES. (A DOLLAR BACKED GOVERNMENT SAVINGS INSTRUMENT); AND OPERATIONS FOR MORE THAN \$20,000 WILL HAVE TO HAVE PRIOR APPROVAL FROM THE BANK OF THE REPUBLIC.

2. SINCE 1974 SERVICE EARNINGS HAVE BECOME A MAJOR SOURCE OF FOREIGN EXCHANGE INCOME AND THE GOVERNMENT HAS ALLOWED COLOMBIANS TO EXCHANGE, WITH FEW QUESTIONS ASKED, LARGE AMOUNTS OF DOLLARS IN THE "VENTANILLA" AT THE BANK OF THE REPUBLIC. THESE EARNINGS, WHICH SHOW UP UNDER "TOURISM" AND "OTHER SERVICES" IN THE EXCHANGE MARKET BALANCE, TOTALED ONLY \$74 MILLION IN 1974, BUT ARE ON THEIR WAY TO \$700 MILLION IN 1976. THE PRINCIPAL SOURCE OF THE DOLLAR PURCHASES IS THE SURPLUS ON THE BLACK MARKET. THIS EXCESS DEMAND FOR PESOS ON THE BLACK MARKET HAS ITS ORIGIN IN A NUMBER OF FACTORS THAT HAVE CHANGED SINCE 1974 WHEN THE SITUATION WAS JUST THE REVERSE.

THE ELIMINATION OF THE EXPORT SUBSIDY ON MANY PRODUCTS AND ITS REDUCTION ON OTHERS HAVE LEAD TO THE NON-REGISTRATION OF

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EXPORTS FOR TAX EVASION PURPOSES. THE DIFFERENTIAL

BETWEEN INTERNATIONAL AND DOMESTIC COFFEE PRICES HAS LED
TO AN ESTIMATED ONE MILLION BAGS OF CONTRABAND COFFEE EXPORTS.
HIGHER INTEREST RATES IN COLOMBIA HAVE RESULTED IN THE
REPATRIATION OF DOLLARS FORMERLY HELD IN BANK ACCOUNTS IN THE
U.S. AND EUROPE. LARGE SCALE PRUCHASES BY VENEZUELANS AND
ECUADOREANS IN COLOMBIAN BORDER TOWNS AND EXPORTS OF GOODS
CONSIDERED CONTRABAND IN VENEZUELA AND ECUADOR ACCOUNT FOR A
SIZEABLE SUM OF THE TOTAL. EARNINGS FROM THE EXPORT OF NARCOTIC
DRUG ALSO SHOW UP IN THIS ACCOUNT.
SANCHEZ

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